



Michigan
Office of the Auditor General
REPORT SUMMARY

Performance Audit
Severance and Motor Carrier Fuel Tax
Collections
Department of Treasury

Report Number:
271-0220-07

Released:
June 2008

The Department of Treasury collects a severance tax from each producer or from a pipeline company, common carrier, or purchaser for and on behalf of a producer engaged in the business of producing oil and gas. Also, the Department collects a tax on motor fuel used by interstate motor carriers licensed in Michigan imposed by the Motor Carrier Fuel Tax Act for the privilege of using Michigan public roads and highways.

Audit Objective:

To assess the effectiveness of the Department's efforts in pursuing opportunities to detect underpayment or non-payment of severance and motor carrier fuel taxes.

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Audit Conclusion:

We concluded that the Department's efforts in pursuing opportunities to detect underpayment or nonpayment of severance taxes were not effective. We also concluded that the Department's efforts in pursuing opportunities to detect underpayment or nonpayment of motor carrier fuel taxes were effective. We noted one material condition (Finding 1) and one reportable condition (Finding 2).

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Material Condition:

The Department had not developed a comprehensive tax administration process

to help ensure taxpayer compliance with applicable severance tax statutes (Finding 1).

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Reportable Condition:

The Department of Treasury did not complete the percentage of audits of interstate motor carriers required by the International Fuel Tax Agreement (IFTA) audit guidelines. In addition, the Department of Treasury, in conjunction with the Department of State, should assess the opportunity to increase audit efficiency by sharing data and considering statutory revisions that would allow for combining audit functions and performing simultaneous audits of IFTA and International Registration Plan registrants. (Finding 2)

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Noteworthy Accomplishments:

In 2007, the Department implemented a process that enables IFTA interstate motor carriers to electronically file their IFTA returns.

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Agency Response:

Our audit report contains 2 findings and 3 corresponding recommendations. The Department's preliminary response indicates that it agrees with all of the recommendations and will comply.

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A copy of the full report can be
obtained by calling 517.334.8050
or by visiting our Web site at:
<http://audgen.michigan.gov>



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